W.T. Grant Company Annual Report 1973

highlights

	1973	1972
Sales	$1,849,802,346	$1,644,747,319
Net earnings	$ 8,429,473	$ 37,787,066
Per common share	$ .59	$2.70
Average number of common shares outstanding	13,885,813	13,882,138
Dividends paid per preferred share	$3.75	$3.75
Dividends paid per common share	$1.50	$1.50
Total dividends paid	$ 21,122,043	$ 21,141,362
Increase (decrease) in earnings retained for use in the business	$ (12,692,570)	$ 16,645,704
Depreciation and amortization of properties	$ 13,579,083	$ 12,004,268
Capital expenditures	$ 23,537,000	$ 26,983,000
Employee compensation and benefits	$ 434,368,156	$ 397,133,721
Cents per sales dollar	23.5¢	24.1¢
Merchandise inventories	$ 450,636,556	$ 399,532,793
Store properties, fixtures and improvements	$ 100,983,800	$ 91,419,748
Long-term debt	$ 220,336,000	$ 126,672,000
Book value common stock—per share	$22.43	$23.25
Number of preferred stockholders	511	625
Number of common stockholders	30,174	20,211
Number of stores	1,189	1,208

THE STORE GROWTH PROGRAM 1969 THROUGH 1973

	Number of New Stores Opened	Number of Stores Enlarged	Capital Expenditures
1973	77	4	$ 23,537,000
1972	92	5	26,983,000
1971	83	5	26,476,000
1970	65	8	15,995,000
1969	52	3	13,668,000
Totals	369	25	$106,659,000

W. T. GRANT COMPANY / 1515 BROADWAY NEW YORK, N.Y. 10036

To Our Stockholders:

During the last six years your Company opened 410 large stores of over 50,000 square feet, enlarged 36 successful stores, and closed 307 smaller units. In view of the decline in earnings in 1973, you might well ask...WHY?

Retailing is synonymous with change. Selling methods, size and types of stores, and lines or departments of merchandise change as the demands of the American Consumer dictate. The Management of your Company recognized this inevitable shift from smaller, limited stores to larger "full line" stores and committed itself to the complete restructuring of the Company.

As this proceeded, a frequent question asked was "We do not understand or recognize your image". Ten years ago, the Company had been "understood and recognized" as a large chain of Variety Stores. Our image was clear. We sold limited price items in smallwares, wearing apparel and soft goods for the home. Times changed and retailing changed... to the one stop, complete store of over 50,000 square feet which we call Grant City and that is the direction your Company followed.

To convert a chain of approximately 1,000 successful limited variety stores to a Company with approximately half of its units composed of Grant City or "full line" stores, while at the same time adding all of the necessary back up services, merchandise distribution centers, data processing, and major appliance warehousing, home delivery and service in a relatively short span of time was not easily accomplished. Our image may have become blurred. We do have both small and large stores. This has to be. Ten years ago, from Maine to California, Grants operated small stores with limited merchandise assortments. Today in hundreds of communities the Grant City store is recognized as a store with complete assortments of merchandise for the home and family. Our Grant City stores may not yet have the general acceptance of some of our major competitors, but we firmly believe our quality is good, our pricing and values excellent and that our reputation and acceptance as a Grant City full line store improves each year. We are still relatively new to the full line store field, but we intend to stay—and to improve each year.

In this letter to Stockholders we will cover more fully the factors influencing operations in 1973 and our prospects for the future.

CUSTOMER CREDIT ARRANGEMENTS—In 1946, the Company first introduced a credit service to aid its customers to purchase wanted merchandise and pay on an installment plan. The stores were small and stocked with merchandise limited in lines and price. The credit coupon book was selected as the most practical method as these coupons could be used as cash and the customer did not have to wait for individual sales slips on each item purchased. It gave us a method of granting credit without incurring the expense of a sophisticated credit system to keep customer credit limits under control. For smaller stores, this type was not only popular with customers—but it was tailor-made for the simplified operation of this small unit. However, as the Company developed new full-line Grant City stores, customers indicated a preference for the revolving credit charge plan. In addition, governmental regulations have made it increasingly difficult and expensive to administer the coupon-type credit plan. Primarily, in recognition of the customer preference for revolving credit charge accounts, this plan was promoted in 1973, and this emphasis will be continued in the future. This change from the credit coupon book plan produces less service charge revenue and is more expensive to operate. During 1973, although credit sales were $45,000,000 higher, service charge revenues were down by over $7,000,000. On the other hand, our experience in the past year indicates that Grant City customers prefer the revolving credit charge and will purchase more merchandise with this plan.

INTEREST—Every corporation is financed with a mixture of stockholders' equity and debt (both long and short term). Our rapid Grant City store expansion during the last six years, coupled with the necessary service facilities to support the new stores, required substantial investments in inventories and customer credit receivables.

At the beginning of 1973, the Company had outstanding three long-term debt issues totalling $126,672,000, with interest rates of 4% and 4¾%. In July 1973, the Company concluded a loan arrangement, with eight of the largest banks in the United States, for $100,000,000 for five years, with interest at the minimum commercial lending rate of the Morgan Guaranty Trust Company of New York which ranged between 8% and 10% during the balance of 1973.

The balance of Company financing, as in previous years, was done in the short-term commercial paper market—with bank lines of credit always in effect for more than the total short term borrowings. These short-term borrowings were always less than the Grant customer account receivables, which at year-end totalled $602,000,000 and are made up of 2,900,000 individual accounts, located in all sections of the country.

Interest rates in the United States, which reached record levels in the second half of 1973, directly affected the cost of a substantial portion of our borrowings. For the year, total interest costs were $30,000,000 greater than for the year 1972.

PHASE IV PRICE CONTROLS—Phase IV price controls seriously impaired our profit potential in 1973. While every retailer was under Phase IV price controls, the Grant Company was more seriously affected than others...WHY?

In January 1972, we started promotional pricing, on a regular basis, of selected easily-recognizable items to reinforce our value image. This promotional emphasis plan was successful and developed the pattern which we expected. By aggressively stocking and promoting these low markup items, large quantities were sold in 1972, and as a result, our total selling margins declined. As we started 1973, our sales increases continued but the mix of promotionally priced merchandise with items carrying higher selling margins came back into balance and selling margins began to return to the more normal levels of 1970 and 1971. The Phase IV price control regulations imposed in August 1973 specified that selling margins by merchandise category could not, for the full year 1973, exceed the selling margin for the same merchandise category during the year 1972. In August, when these regulations became effective, we were already above our 1972 selling margins by category in most departments—not because of increased selling margins, but because the merchandise mix had changed as planned. With this turn of events, we felt compelled to lower our selling margins during the second half of 1973 in order to comply with government regulations; this involuntary action caused a substantial profit decrease.

INVENTORIES—At mid-year, Management decided that the levels of inventory were higher than desirable. A planned program was instituted to reduce inventories and this program was implemented on a progressive basis throughout the remainder of the year. At year-end, inventories were in satisfactory condition. The additional $51,000,000 of merchandise, represented an increase which was equal to the sales increase of 12.5% and included the inventory investment necessary to stock the 5,606,000 square feet of new stores opened in 1973. The planned inventory reduction had an adverse effect on the sales trend in the fourth quarter.

GROWTH PROGRAM—In 1973 the Company opened 77 new stores and enlarged 4 existing units, for an additional 5,606,000 square feet of new store space. In addition, construction of the new 475,000 square foot Distribution Center in Windsor Locks, Connecticut, was completed in late Fall 1973.

In 1974, we will open approximately 45 new stores and enlarge 1 unit for approximately 3,000,000 square feet. The reduction, both in number of stores and square footage from 1973 levels, is due to developers encountering difficulty in securing necessary materials to complete centers on schedule, inability to start some projects because of the high cost of interim financing, and the increased time required to be spent before beginning a project in satisfying environmental control requirements. It is our estimate at this time that the 1975 program will be of the same magnitude as 1974, or smaller, and management feels that this is a more workable program in view of present conditions. This will, of course, reduce pre-opening costs and the additional funds required for investment in capital expenditures, inventories and to carry customer receivables, from the peaks of the last few years.

The program of closing older Grant stores, typically of a smaller size, was accelerated in 1973 with 96 closings. All expenses pertaining to this program were charged to the year of closing. Since the closing of unprofitable stores not only reduces investment in inventory but eliminates the burden of operating costs, this program will be continued in 1974.

In 1973, GranJewel, the Company's joint venture participation in catalog showroom retailing, opened 11 stores and purchased Edison Jewelers and Distributors Co. of Fort Worth, Texas, which operates 4 units. In 1974, an additional 7 catalog showroom stores are planned.

POINT OF SALE CASHIERING—Much publicity has been given to the growth of "Point of Sale" equipment in retail stores, designed to record sales and capture data for inventory management and allied functions. Beginning in 1972 and continuing through 1973 we installed Point of Sale systems in 6 stores. The decision has been made to further test point of sale equipment in 28 stores in 1974, using the systems of two manufacturers. The purpose of adding 28 additional units is to study the problems of training, service back-up and utilization of data in a larger group than the original test stores. The experience gained in this program, with particular attention to the potential for better merchandise information, added efficiency and cost saving, will give us meaningful direction for succeeding years.

DIVIDENDS—Dividends of $1.50 per share on the Common Stock and $3.75 per share on the Preferred Stock were paid in 1973. Based on fiscal 1973 earnings, your Directors felt that prudent financial management dictated a reduction in the dividend payout. At the February 26, 1974 meeting of the Board, a quarterly dividend of $.15 per share was declared on the Common Stock, payable April 1, 1974. The new dividend will reduce the cash payout, with a consequent conservation of the Company's cash resources.

CORPORATE ORGANIZATION AND STOCKHOLDERS—Every organization is judged not only by its physical plants and the products marketed, but by the personnel making up its organization. The Grant organization consists of over 85,000 men and women working in stores, offices, distribution centers, and foreign buying offices. The average age of the officers of the company is 48 and they have an average length of service of 20 years. We are confident that this dedicated group will provide the necessary leadership in producing sales and profit in 1974 and the years beyond.

The Management of the Company takes this opportunity to express appreciation to its stockholders for the cooperation, support and loyalty they have shown over the years. We are proud of the fact that the number of common stockholders last year increased by 10,000, from 20,000 to over 30,000.

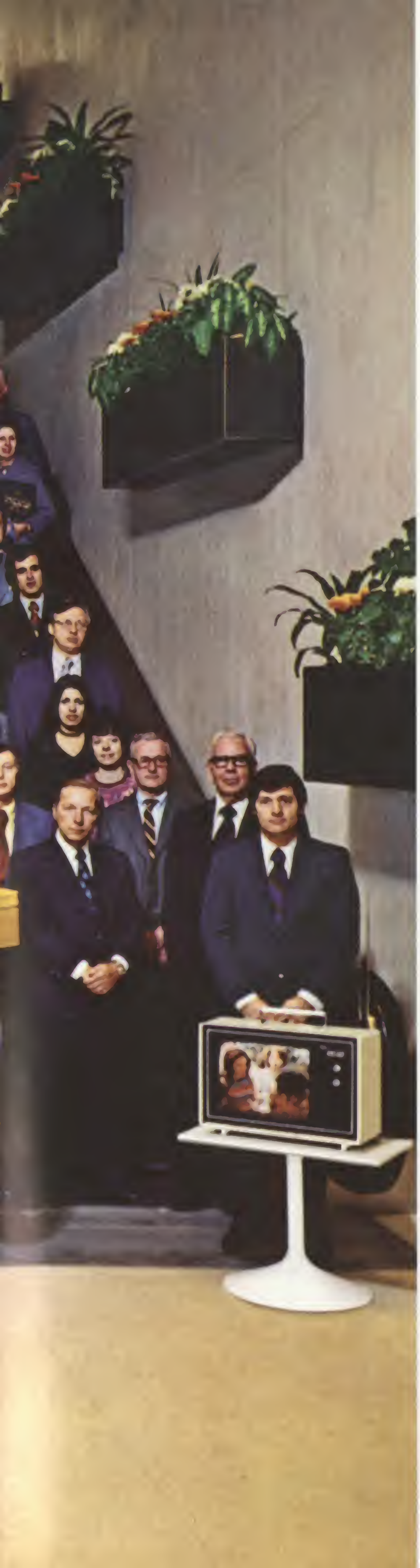
The growth in numbers and the support of our stockholders reflect, in good measure, the effects of the Employees' Stock Purchase Plan instituted 24 years ago to put Company ownership within the reach of thousands of Grant employees. Over the years employees have paid for and been issued over 3,000,000 shares of stock. Additionally, The Grant Foundation, established by Mr. Grant, the Company's founder, owns or has a beneficial interest in approximately 2,500,000 shares, while various other trusts established by him hold in addition an aggregate of over 1,300,000 shares. We are proud of this Company ownership in the hands of our Grant people.

MANAGEMENT—On October 1, 1973 Mr. Edward Staley retired as Chairman of the Board of Directors and assumed the duties of Chairman of the Executive Committee. The Board elected Mr. R. W. Mayer, Chairman of the Board and Chief Executive Officer, effective October 1, 1973. Mr. H. E. Pierson, who had been Store Management Vice President, was elected President and Chief Operating Officer, effective February 1, 1974.

We are now in the year 1974. Price Control limitations on retailers have been removed. Short-term interest rates are currently trending downward. We will continue opening full line Grant City stores and will continue to expand our revolving credit charge account plan. This year, the economy will be uncertain, but Management will continue to take aggressive steps to strengthen its entire operation, whether in limited or full-line Grant City stores. We will continue to change the Company to meet the demands of customers. In the final analysis, our customers will determine the success of the Company. We feel that customers are aware of the positive changes that are occurring and that, as a result, the acceptance of the Grant City stores—as full line stores—will continue to increase.

R. W. Mayer
Chairman of the Board

Harry E. Pierson
President



Operation Customer Satisfaction

Its aim is very simple . . . to satisfy each Grant customer . . . every one of the growing millions of careful family shoppers who rely on Grants for solid values at prices which help stretch the family budget. Each of Grants' more than 1,190 store managers is backed in the effort by a corps of supportive service people greater than any individual store could possibly afford.

To demonstrate the depth of supportive services, we asked Miss Olga Domotor, manager of the Grant City store in Toms River, New Jersey to pose before part of the "behind the scenes" team. Photo at left was taken in the Company's home office building, on Times Square, in New York City. Standing at her side is Tom Picarro, one of Grants' six Regional Vice Presidents. He heads the Eastern Region in which Miss Domotor's store operates, and leads his Region's supervisory staff, which works with 228 store managers to localize Company sales and merchandising efforts.

Massed behind Miss Domotor and Mr. Picarro are some representatives of Grants' Home Office services . . .

The size and location of her store, adjacent to major arterial highways which provide easy access from scores of surrounding communities, reflects the study of Company real estate specialists. Her store's cheery decor and logical arrangement of merchandise on serve-yourself displays are the work of store equipment and layout experts.

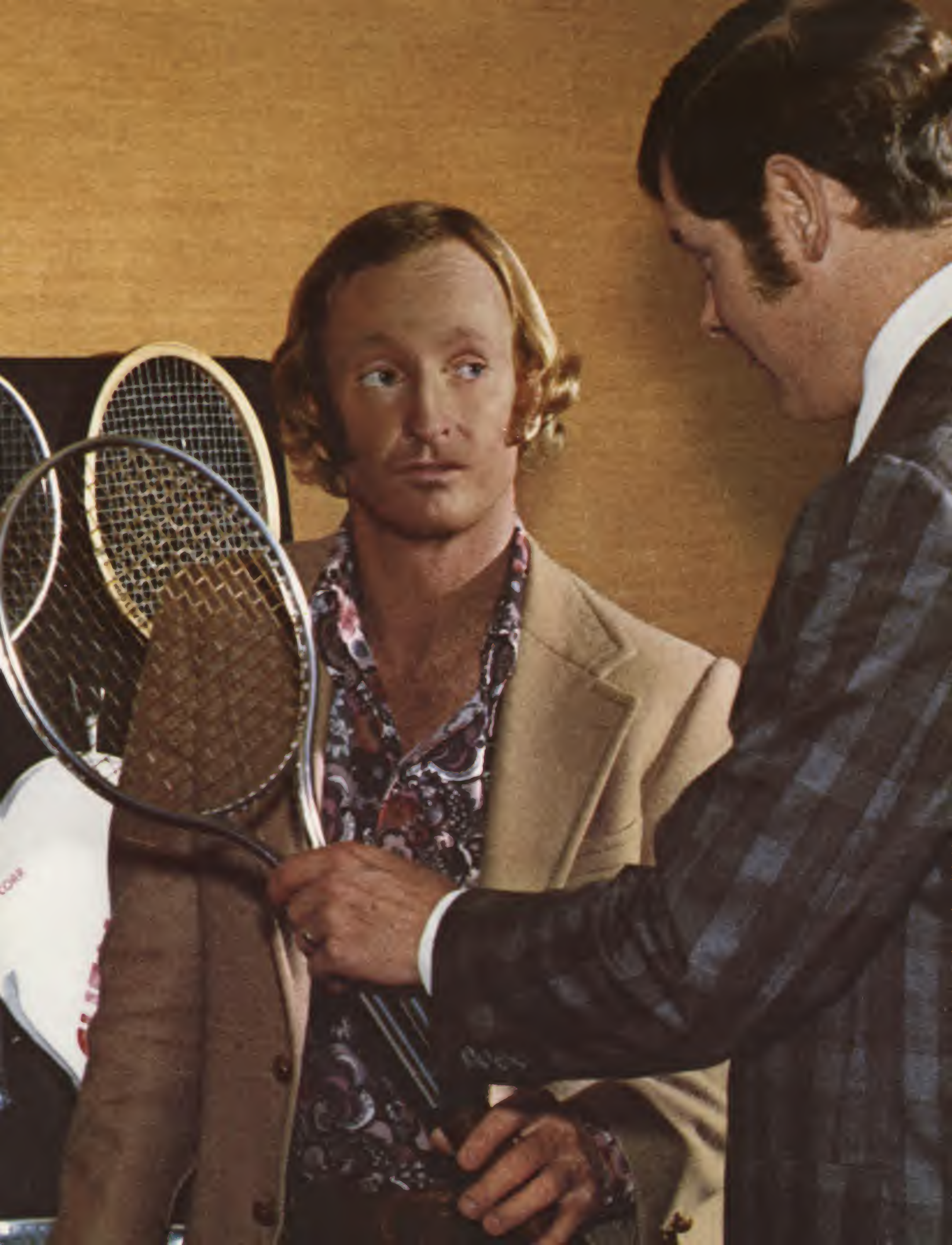
The broad assortments of merchandise in Miss Domotor's store are the end result of the never-tiring efforts of more than 150 buying specialists. They scour world markets, ever alert for the new and exciting. Much of what they buy is built to specification and marketed at money-saving prices under Grants' own-brand names. No compromise with quality for these folks . . . quality control is uppermost in their concern!

Distribution managers and traffic people regulate the weekly flow of fresh merchandise into the store, landing each shipment as economically as possible. Import traffic specialists supplement the buying effort in their supervision of the movement of goods from overseas markets.

Personnel experts plan each store's employee complement, develop methods of recruitment and the operation of a thorough training program which accounts in great measure for the calibre of service shoppers enjoy in our stores.

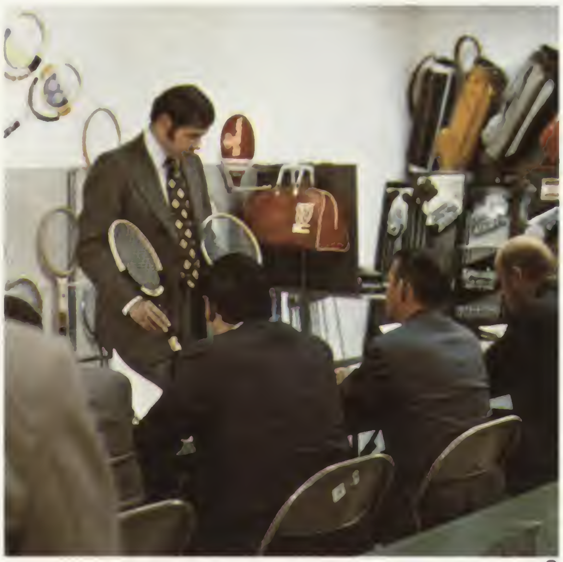
Appliance service specialists operate Grants' national network of Bradford Appliance Service Depots, to guarantee major appliance customers prompt and efficient installation and repair service.

And to round out the team, specialists in food service, credit, data processing, sales promotion, legal and financial services join in the crusade for customer satisfaction . . . a Grant Company program now in its 68th year. . . yet modern as tomorrow!



Customer Satisfaction starts with having what our customers want . . . the primary goal of our entire Buying Department. Tennis, for example, is a growing national pastime, so tennis equipment is important in Grants' sporting goods program. Pictured at left, Buyer Al Thomson reviews design specifications with tennis pro Rod Laver, whose personal endorsement is carried on this fine Chemold racquet. Billie Jean King, Crissy Evert and Stan Smith endorse the Wilson autographed racquets, and Pancho Gonzales the Spalding, to complete a fine assortment of quality racquets endorsed by today's top professional players.

(a) Buyer Thomson presents new items to the Merchandise Review Committee for approval.
(b) Manager Domotor reviews store's tennis display plans.
(c) Toms River tennis buffs select their needs for the court.



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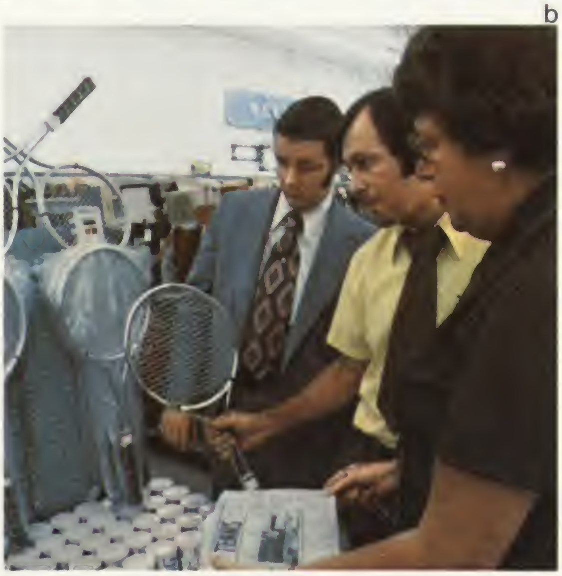

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Customer Satisfaction grows when our stores have what our customers want...when they want it. Strategically spotted around the country, six fully automated Grant Distribution Centers serve as consolidation points for shipments from our manufacturers to our stores. To hold distribution costs to a minimum and to develop greater efficiency, Grants' own truck fleets operate around the clock to service merchandise needs of each store on a weekly basis. Photo at left shows one step in the computerized movement of apparel, from receiving docks to sorting and order filling area, and then to awaiting trucks for delivery to stores. A national network of Bradford Appliance Depots hold central stocks of major appliances for Grant stores. They pre-test appliances before home delivery and furnish repair service for stores within a twenty-five mile radius.

(a) Grant trucks being loaded under watchful eye of Miss Liberty at Liberty Park, New Jersey Distribution Center.

(b) Merchandise flow, in and out of Centers, is monitored by data processing equipment for instant data on inventory and shipments.

(c) Bradford appliance crew delivers a pre-tested television set to an eagerly waiting Toms River family.

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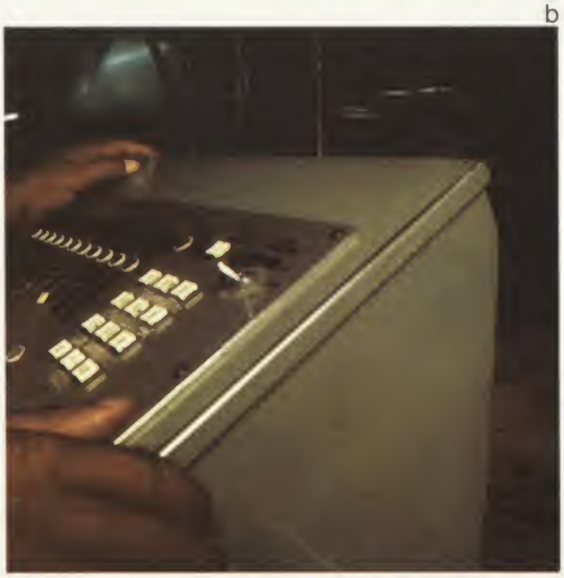

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SALE
SALE
SPECIAL

Sound Sales Planning is vital to customer satisfaction in our Grant City and Grant stores across the nation. Sales Director Tom Schreiner (photo left) hammers out a hard-hitting sales campaign with his staff of specialists. Operating as a complete in-house advertising agency for Grant stores, Mr. Schreiner's department creates a professional advertising, sales promotion, display and packaging program which is serviced to each store.

(a) Regional Merchandise Managers meet with Buying and Sales Department people to plan a calendar of sale events.

(b) Ric Aloi, creative staff artist, puts the plan on paper.

(c) A Toms River family reviews a Grant City sale circular.

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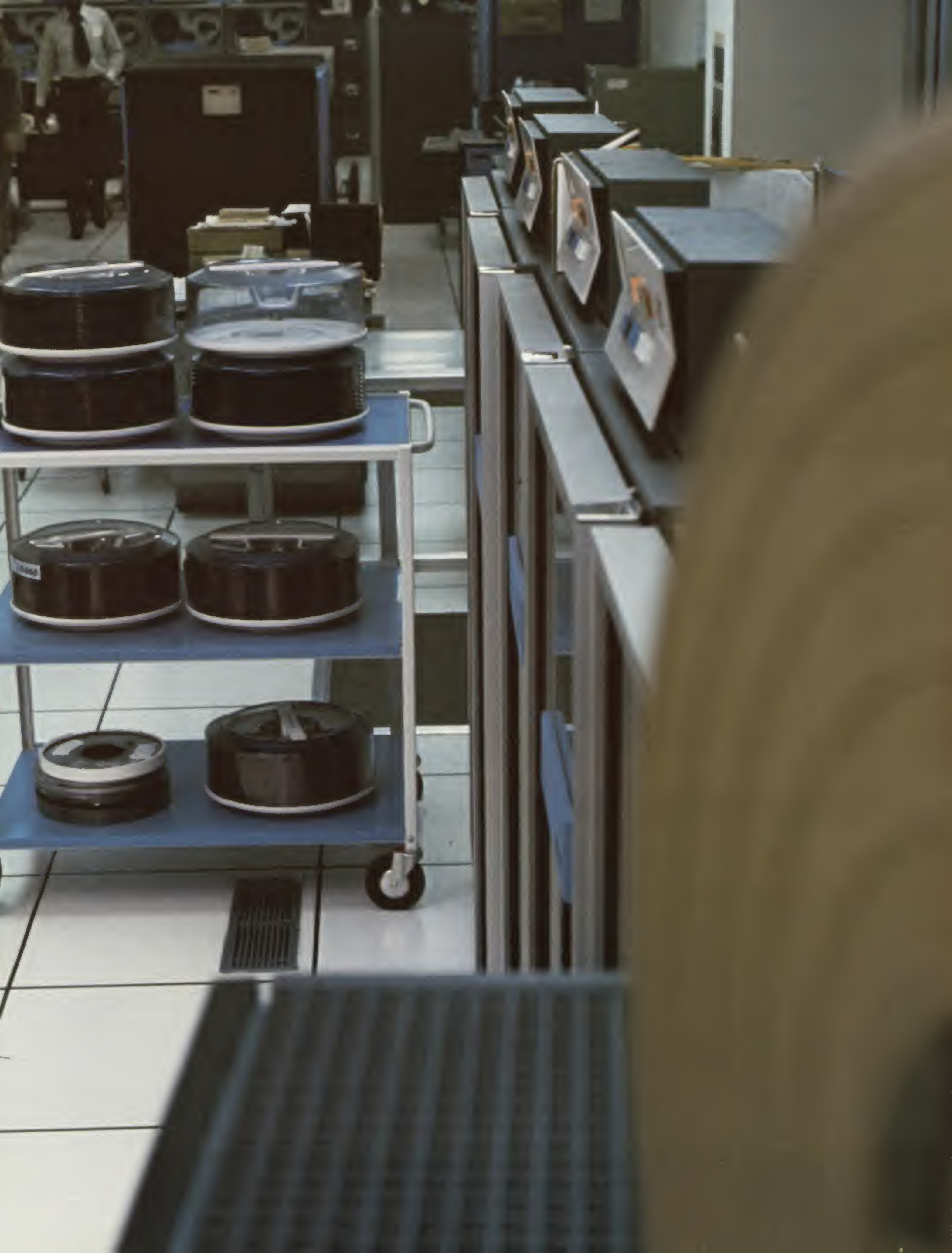
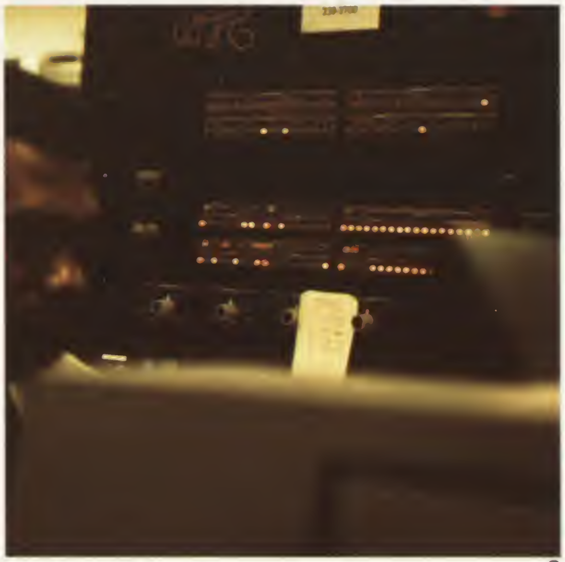


Data Processing plays an ever increasing role in the speedy handling of awesome detail work, freeing Grant people to devote their time and talent to pursuits concerned with customer satisfaction. Highly trained specialists continue on-going research into ways and means of further simplifying the paperwork flow in each store. Shown at left is one corner of the Company's home office data bank, where vital information is recorded, stored and made available for instant retrieval as needed. Computers receive data from each store, and then produce a monthly operating statement for each region, district and individual store. In addition, merchandise shipments are recorded and invoices paid automatically out of this central depot. Other data processing installations around the country handle monthly billings to credit customers and record the flow of merchandise shipments into and out of our Distribution Centers.

(a) Data is sorted by machine, at lightning speed.

(b) Data Processing Vice President Harvey Zorfas reviews future computer applications with his staff.

(c) A group of stores are now testing point-of-sale registers to tally sales by item and department. Data is fed into store's mini-computer.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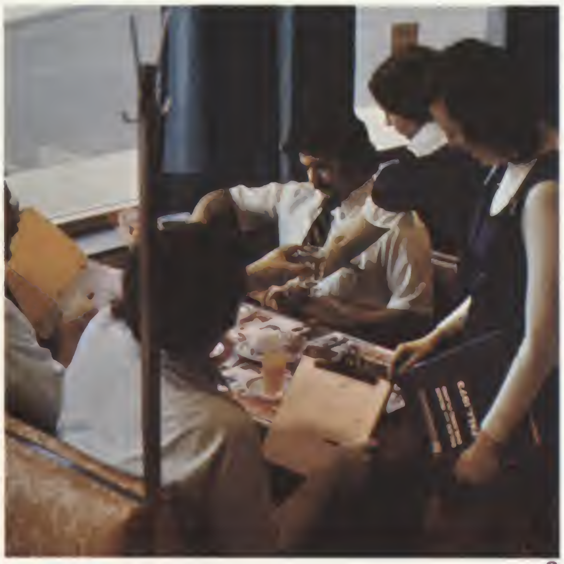
Customer Satisfaction is most visible right at the point of sale, with friendly and well-informed Grant sales people, eager to serve our customers. That is why personnel training is such a vital element in our customer service plan. Training schools are in continuous operation in the areas of store management, buyer training, credit, food operation, automotive service and in-home selling to develop professionalism, and thereby help our people climb the ladder to greater responsibility. New techniques in audio-visual training multiply employee exposure to training guidance in the stores in which they work. Miss Domotor, in photo at left, reviews effective display techniques with Fashion Supervisors.

(a) Trainer works with new Food Service people in operating procedures.
(b) Model "on camera" in audio-visual training film production.
(c) Miss Domotor counsels an accelerated store management training school group in efficient store management procedures.



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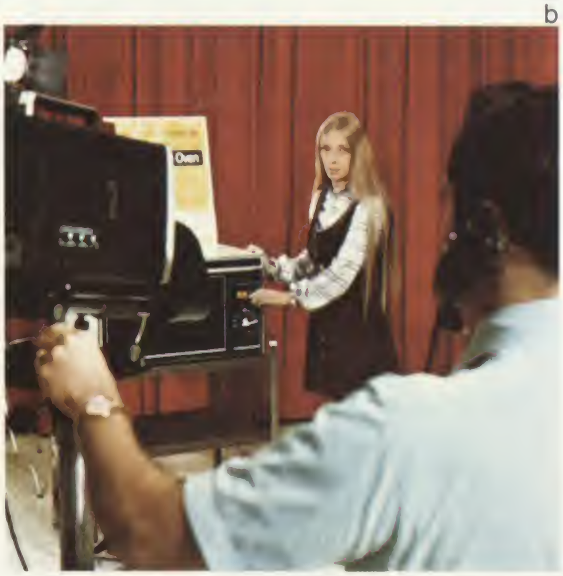

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W. T. Grant Company
and consolidated subsidiaries

	January 31, 1974	1973*
ASSETS		
CURRENT ASSETS		
Cash—Note D	$ 45,951,301	$ 30,943,099
Accounts receivable—Note H		
Customers' installment accounts	602,305,130	556,091,352
Less allowance for doubtful accounts and unearned credit insurance premiums	22,989,598	24,538,014
	579,315,532	531,553,338
Other accounts receivable, refundable taxes, claims, etc.	19,483,020	11,198,027
Total accounts receivable, net	598,798,552	542,751,365
Merchandise inventories (including merchandise in transit)—at the lower of cost or market determined principally by the retail inventory method	450,636,556	399,532,793
Prepaid rents, supplies, etc.	7,299,440	6,648,311
TOTAL CURRENT ASSETS	1,102,685,849	979,875,568
OTHER ASSETS		
Investment in Zeller's Limited, at equity—Note B	30,239,218	26,948,675
Investment in GranJewel Jewelers & Distributors, Inc., at equity—Note B	2,360,388	2,081,319
Investment in debentures of unconsolidated subsidiaries, at cost—Note B	11,651,109	5,951,109
Other	1,200,000	600,000
TOTAL OTHER ASSETS	45,450,715	35,581,103
COMMON STOCK OF W. T. GRANT COMPANY		
Held for Deferred Contingent Compensation Plan, at cost—155,400 and 145,400 shares, respectively	2,499,538	2,381,044
STORE PROPERTIES, FIXTURES AND IMPROVEMENTS—on the basis of cost		
Buildings	1,474,765	1,295,488
Furniture and fixtures	138,827,493	126,670,880
Improvements to leased properties	12,619,744	10,640,270
	152,922,002	138,606,638
Less allowance for depreciation and amortization	52,546,310	47,926,186
	100,375,692	90,680,452
Land	608,108	739,296
TOTAL STORE PROPERTIES, FIXTURES AND IMPROVEMENTS	100,983,800	91,419,748
UNAMORTIZED DEBT EXPENSES—Note A	1,362,782	1,440,144
	$1,252,982,684	$1,110,697,607

statement of financial position

	January 31,	
LIABILITIES AND CAPITAL	**1974**	**1973***
CURRENT LIABILITIES		
Short-term commercial notes—Note I	$ 453,096,715	$ 380,033,500
Bank loans—Note I	—	10,000,000
Accounts payable for merchandise	58,191,731	60,973,283
Salaries, wages and bonuses	14,677,793	18,999,960
Other accrued expenses	13,199,372	9,267,297
Taxes withheld from employees	4,411,758	2,194,696
Sales and other taxes	13,429,292	12,981,337
Federal income taxes payable	—	8,480,036
Deferred credits, principally income taxes related to installment sales—Note A	133,057,084	130,137,144
TOTAL CURRENT LIABILITIES	690,063,745	633,067,253
OTHER LIABILITIES		
Long-term debt—Note D	220,336,000	126,672,000
Deferred Federal income taxes—Note A	14,649,141	11,925,657
Deferred contingent compensation	2,395,367	2,394,131
Other	1,800,000	2,300,000
TOTAL OTHER LIABILITIES	239,180,508	143,291,788
CAPITAL—Notes A, D and F:		
Capital Stock:		
Cumulative Preferred—$100 par value:		
Authorized 250,000 shares		
Issued 74,645 and 85,998 shares, respectively, of 3¾% series	7,464,500	8,599,800
Common—$1.25 par value:		
Authorized 22,500,000 shares		
Issued 14,879,554 and 14,870,198 shares, respectively	18,599,443	18,587,748
Paid-in capital	84,271,469	84,717,986
Amounts paid by employees under purchase contracts for Common Stock	1,638,359	1,429,077
Earnings retained for use in the business	248,460,873	261,153,443
	360,434,644	374,488,054
Less 808,054 and 876,794 shares, respectively, of treasury Common Stock, at cost	36,696,213	40,149,488
TOTAL CAPITAL	323,738,431	334,338,566
LEASES—Note G		
	$1,252,982,684	$1,110,697,607

**Reclassified to conform to current year presentation.*

(See notes to financial statements.)

W. T. Grant Company
and consolidated subsidiaries

statement of operations

	Year ended January 31, 1974	1973*
Sales	$1,849,802,346	$1,644,747,319
Income from concessions	3,970,745	3,752,866
	1,853,773,091	1,648,500,185
Cost of merchandise sold, buying and occupancy costs	1,282,944,615	1,125,261,115
	570,828,476	523,239,070
Selling, general and administrative expenses—Note H	518,278,977	442,211,192
Interest expense—Note H	51,047,481	21,127,084
	569,326,458	463,338,276
	1,502,018	59,900,794
Other income:		
Interest earned—Note H	1,035,384	602,218
Miscellaneous—Note D	2,027,121	585,766
	3,062,505	1,187,984
Earnings before income taxes and equity in net earnings of unconsolidated subsidiaries	4,564,523	61,088,778
Provision for Federal, state and local income taxes —Notes A and E:		
Current	(6,020,906)	11,255,373
Deferred	6,807,350	17,161,946
	786,444	28,417,319
Earnings before unconsolidated subsidiaries	3,778,079	32,671,459
Equity in net earnings of unconsolidated subsidiaries—Notes A and B:		
Zeller's Limited	4,372,325	5,074,288
GranJewel Jewelers & Distributors, Inc.	279,069	41,319
	4,651,394	5,115,607
NET EARNINGS	$ 8,429,473	$ 37,787,066
NET EARNINGS PER COMMON SHARE—Note A	$ .59	$2.70

**Reclassified to conform to current year presentation.*
(See notes to financial statements.)

statement of capital

for the two years ended January 31, 1974

	Cumulative Preferred Stock	Common Stock	Paid-in Capital	Amounts paid by employees under stock purchase contracts	Earnings retained for use in the business	Treasury Common Stock
Balance at February 1, 1972	$9,053,000	$18,529,243	$83,963,834	$1,231,674	$244,507,739	($31,540,396)
Purchase of 284,140 shares of treasury Common Stock						(11,466,198)
Purchase and cancellation of 4,532 shares of Cumulative Preferred Stock	(453,200)		201,609			
Receipts from employees under stock purchase contracts				3,491,518		
Issuance of 40,525 shares of unissued Common Stock and 62,355 shares of treasury Common Stock under Employees' Stock Purchase Plans		50,656	386,353	(3,294,115)		2,857,106
Conversion of 4% Convertible Subordinated Debentures into 6,279 shares of Common Stock		7,849	166,190			
Net earnings for the year					37,787,066	
Cash dividends:						
3¾ % Cumulative Preferred Stock—Four quarterly dividends of 93¾¢ each per share					(334,709)	
Common Stock—Four quarterly dividends of 37½¢ each per share					(20,806,653)	
Balance at January 31, 1973	8,599,800	18,587,748	84,717,986	1,429,077	261,153,443	(40,149,488)
Purchase of 4,600 shares of treasury Common Stock						(133,315)
Purchase and cancellation of 11,353 shares of Cumulative Preferred Stock	(1,135,300)		517,513			
Receipts from employees under stock purchase contracts				2,583,998		
Issuance of 73,340 shares of treasury Common Stock under Employees' Stock Purchase Plans			(1,211,874)	(2,374,716)		3,586,590
Conversion of 4% Convertible Subordinated Debentures into 9,356 shares of Common Stock		11,695	247,844			
Net earnings for the year					8,429,473	
Cash dividends:						
3¾ % Cumulative Preferred Stock—Four quarterly dividends of 93¾¢ each per share					(293,054)	
Common Stock—Four quarterly dividends of 37½¢ each per share					(20,828,989)	
Balance at January 31, 1974	$7,464,500	$18,599,443	$84,271,469	$1,638,359	$248,460,873	($36,696,213)

(See notes to financial statements.)

W.T. Grant Company and consolidated subsidiaries

statement of changes in financial position

	Year ended January 31,	
	1974	**1973***
Source of Funds:		
From operations:		
Net earnings	$ 8,429,473	$ 37,787,066
Less increase in the undistributed equity in unconsolidated subsidiaries	3,569,612	3,402,785
	4,859,861	34,384,281
Plus charges to income not affecting working capital:		
Depreciation and amortization of properties	13,579,083	12,004,268
Increase in deferred Federal income taxes	2,723,484	2,262,127
Decrease in other liabilities	(498,764)	(558,404)
Total from operations	20,663,664	48,092,272
Notes payable to banks	100,000,000	—
Receipts from employees under stock purchase contracts	2,583,998	3,491,518
Common Stock issued upon conversion of 4% Debentures	259,539	174,039
Decrease (increase) in other assets	(600,000)	2,228,645
Total Funds Provided	122,907,201	53,986,474
Application of Funds:		
Dividends to stockholders	21,122,043	21,141,362
Investment in properties, fixtures and improvements	23,143,135	26,250,518
Retirement of long-term debt	6,074,000	1,584,000
Investment in GranJewel Jewelers & Distributors, Inc.:		
Convertible Notes	5,700,000	—
Common Stock	—	2,040,000
Purchase of Cumulative Preferred Stock, for cancellation	617,787	251,591
Purchase of treasury Common Stock	133,315	11,466,198
Conversion of 4% Convertible Subordinated Debentures	262,000	176,000
Increase (decrease) in sundry accounts—net	41,132	(79,436)
Total Funds Applied	57,093,412	62,830,233
Working Capital Increase (Decrease)	$ 65,813,789	$ (8,843,759)
Current Assets Increase (Decrease)		
Cash and short-term securities	$ 15,008,202	$ (18,907,685)
Total accounts receivable, net	56,047,187	65,427,296
Merchandise inventories	51,103,763	100,856,623
Other current assets	651,129	1,270,676
	122,810,281	148,646,910
Current Liabilities Increase (Decrease)		
Short-term commercial notes and bank loans	63,063,215	152,292,800
Accounts payable for merchandise	(2,781,552)	(15,147,075)
Salaries, wages and bonuses	(4,322,167)	3,325,227
Other accrued expenses	3,932,075	(2,835,989)
Taxes withheld from employees	2,217,062	726,479
Sales and other taxes	447,955	2,835,611
Federal income taxes payable	(8,480,036)	(997,220)
Deferred credits, principally income taxes related to installment sales	2,919,940	17,290,836
	56,996,492	157,490,669
Working Capital Increase (Decrease)	$ 65,813,789	$ (8,843,759)

**Reclassified to conform to current year presentation.*
(See notes to financial statements.)

notes to financial statements

January 31, 1974 and 1973

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the accounts of the Company and its two wholly-owned subsidiaries, W. T. Grant Financial Corporation and Jones & Presnell Studios, Inc.

The Company carries its investments in Zeller's Limited (a 50.2% owned Canadian subsidiary, cost $8,893,326) and GranJewel Jewelers & Distributors, Inc. (51% owned, cost $2,040,000) at equity and has included in net earnings its equity in net earnings of such subsidiaries. Zeller's Limited has consistently followed the policy of distributing approximately 40%-50% of current earnings and permanently reinvesting the remainder. In any event, no U.S. deferred income taxes nor Canadian withholding taxes have been provided on such undistributed earnings, as such taxes would be substantially offset by available foreign tax credits. No deferred income taxes have been provided on the equity in net earnings of GranJewel Jewelers & Distributors, Inc. as it is intended that such earnings be reinvested in the business.

Gross profits on sales on the installment basis are reflected in the financial statements when the sales are made, whereas for Federal income tax purposes, such gross profits are reported as income as collections are received. The resulting difference between taxes accrued and taxes actually payable is included as "Deferred credits, principally income taxes related to installment sales".

At January 31, 1974 accumulated depreciation of approximately $30,094,500 has been deducted for tax purposes in excess of the amount (using the straight-line method) reflected in the financial statements. The resulting tax difference is included in "Deferred Federal income taxes".

Investment credits (using the flow-through method) totalling approximately $1,509,000 have been added to refundable Federal income taxes for the year ended January 31, 1974 and $1,750,000 has been deducted from the provision for Federal income taxes for the year ended January 31, 1973.

The Company has an Employees' Retirement Plan available to all its employees. The amounts charged to operations for the years ended January 31, 1974 and 1973 for this Plan were $1,247,202 and $1,261,018, respectively. The Company funds pension costs accrued.

Expenses associated with the opening of new stores are written off in the year of store opening.

Unamortized debt expenses are being amortized over the lives of the debentures by the "bonds-outstanding method".

Net earnings per share of common stock (equivalent to fully diluted), after deduction of dividends on Preferred Stock, have been determined based upon the average number of shares outstanding during each year.

NOTE B—INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

Investment in debentures of unconsolidated subsidiaries includes $5,951,109 at January 31, 1974 and 1973 of 5½% Convertible Debentures of Zeller's Limited and $5,700,000 at January 31, 1974 of Convertible Notes of GranJewel Jewelers & Distributors, Inc. bearing interest at 125% of the minimum commercial lending rate of the Morgan Guaranty Trust Company of New York.

Equity in net earnings of Zeller's Limited includes dividends received of $2,080,782 and $1,712,822 for the years ended January 31, 1974 and 1973 respectively, less in the year ended January 31, 1974, applicable Federal income taxes of $999,000 as a result of the inability of the Company to utilize available foreign tax credits due to a net operating loss incurred for Federal income tax purposes.

Certain financial information for the years ended January 31, 1974 and 1973, with respect to these unconsolidated subsidiaries is presented below:

	Zeller's Limited (Canadian $ = U.S. $)		GranJewel Jewelers & Distributors, Inc.	
	1974	1973	1974	1973
Assets	$138,671,137	$122,050,661	$30,289,673	$5,480,568
Liabilities	76,680,003	65,756,394	25,661,461	1,399,551
Capital	61,991,134	56,294,267	4,628,212	4,081,017
Sales	$287,016,728	$252,701,343	$30,813,348	$1,366,325
Net earnings	10,304,894	10,257,820	547,195	81,017

NOTE C—DEFERRED CONTINGENT COMPENSATION AND EXECUTIVE BONUS PLANS

The amount charged to operations for the Deferred Contingent Compensation Plan was $560,000 and $650,000 for the years ended January 31, 1974 and 1973, respectively.

The amount charged to operations for the Executive Bonus Plan, in which all executives participate, was $1,552,523 and $4,803,365 for the years ended January 31, 1974 and 1973, respectively.

Notes to financial statements (continued)

NOTE D—LONG-TERM DEBT

	January 31, 1974	January 31, 1973
4¾ % Convertible Subordinated Debentures dated April 15, 1971 and due April 15, 1996	$ 95,507,000	$100,000,000
4¾ % Sinking Fund Debentures dated January 1, 1962 and due January 1, 1987 (annual sinking fund payment of $1,500,000)	23,995,000	25,576,000
4% Convertible Subordinated Debentures dated June 1, 1965 and due June 1, 1990	834,000	1,096,000
Notes Payable to banks (see below)	100,000,000	—
	$220,336,000	$126,672,000

In July, 1973, the Company borrowed $100,000,000 from several banks. These notes are due in eight equal quarterly installments commencing October 1, 1976, bearing interest payable quarterly at the minimum commercial lending rate of the Morgan Guaranty Trust Company of New York from October 1, 1973 to June 30, 1975, and at ¼ of 1% above that rate thereafter. The understanding is that the Company will maintain compensating balances equal to 15% of the outstanding notes payable, which amounted to $15,000,000 at January 31, 1974.

Long-term debt at January 31, 1974 matures as follows: years ending January 31, 1975—none; 1976—$1,500,000; 1977—$26,500,000; 1978—$51,500,000; 1979—$26,500,000; and thereafter the balance of $114,336,000.

As of January 31, 1974 and 1973, 29,785 and 39,142 shares respectively of Common Stock of the Company were reserved for conversion of the 4% Convertible Subordinated Debentures at the conversion price of $28 a share. In addition, at January 31, 1974 and 1973, 1,308,315 and 1,369,863 shares, respectively, were reserved for conversion of the 4¾ % Convertible Subordinated Debentures, at the conversion price of $73 a share.

Included in miscellaneous income is the gain totalling $1,959,769 and $315,733 for the years ended January 31, 1974 and 1973, respectively, on retirement of long-term debt.

Under the terms of the various indentures, at January 31, 1974 the Company may incur additional unsubordinated long-term debt of approximately $139,000,000; under the most restrictive of such indentures, approximately $19,000,000 of earnings retained for use in the business was available for the declaration of cash dividends, the purchase of Capital Stock and investments in certain subsidiaries. The Company can, at its election, increase the amount unrestricted by including its financial subsidiary for purposes of debt covenant calculation. If the Company had made such election at January 31, 1974, approximately $165,000,000 would have been available for the declaration of dividends, the purchase of Capital Stock and investments in certain subsidiaries.

NOTE E—INCOME TAXES

State and local income taxes included in the provision for Federal, state and local income taxes amounted to:

	Year ended January 31, 1974	Year ended January 31, 1973
Current	$293,457	$1,667,662
Deferred	(758,013)	999,657
	($464,556)	$2,667,319

The Company's Federal income tax returns for the years ended January 31, 1964 through 1971 have been examined by the Internal Revenue Service. Certain adjustments proposed by the Internal Revenue Service related to the tax treatment of gross profit under one of the Company's installment plans were successfully defended in the Tax Court for the years ended January 31, 1964 and 1965; however, during the year the United States Court of Appeals ruled in favor of the Internal Revenue Service. The Company has petitioned the United States Supreme Court for review. In the opinion of management, adequate provision has been made for all possible interest payments and all tax assessments have been provided for.

NOTE F—CAPITAL

The 3¾ % Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at $100 per share.

At January 31, 1974 and 1973, 238,165 and 289,615 shares, respectively, of the Company's unissued Common Stock were reserved under the 1960 Employees' Stock Purchase Plan. An additional 1,000,000 shares of unissued Common Stock have been reserved under the 1970 Employees' Stock Purchase Plan. Contracts for the sales of such shares, on a deferred payment basis are made at approximate market prices at date of contracts. Shares are issued after completion of payments.

NOTE G—LEASES

Total rental expenses for all leases amounted to:

	Year ended January 31, 1974	1973
Financing leases:		
Minimum rentals	$101,236,977	$87,659,988
Contingent rentals	2,300,195	2,176,237
Other leases:		
Minimum rentals	3,577,735	2,227,950
Less: Rentals from sub-leases	1,747,848	1,821,251
	$105,367,059	$90,242,924

The contingent rentals are based upon various percentages of sales in excess of specified minimums.

The future minimum rental commitments as of January 31, 1974 for all noncancellable leases (as defined by ASR No. 147) are as follows, (in thousands):

Years Ended January 31,	Financing Leases Real Estate	Financing Leases Equipment	Other Leases Real Estate	Less: Rental From Subleases Of Real Estate	Total
1975	$ 95,512	$8,522	$ 3,162	$1,539	$105,657
1976	94,013	8,522	3,090	1,240	104,385
1977	91,292	8,522	3,021	1,077	101,758
1978	88,087	7,272	2,993	916	97,436
1979	85,546	7,272	2,993	844	94,967
1980-1984	385,846	1,859	12,522	2,777	397,450
1985-1989	319,693	1,859	12,522	1,379	332,695
1990-1994	167,626	681	12,522	731	180,098
1995 and subsequent	8,391	—	8,139	113	16,417

The estimated present value of the net fixed minimum rental commitments for noncapitalized financing leases and the estimated impact on net earnings had such leases been capitalized is not currently available and will be included in the Company's Form 10-K annual report filed with the Securities and Exchange Commission. A copy of this information will be mailed to all stockholders.

NOTE H—ACCOUNTS RECEIVABLE AND INTEREST

Unearned credit insurance premiums amounted to $4,922,700 and $8,768,405 at January 31, 1974 and 1973, respectively.

Finance charges on customers' installment accounts, included as a reduction of selling, general and administrative expenses, amounted to approximately $69,756,000 and $76,826,000 for the years ended January 31, 1974 and 1973, respectively. Pro forma interest expense and operating expenses related to the credit operations exceeded finance charges to customers.

Customers' installment accounts range in maturities up to 36 months, with finance charges, where appropriate, ranging up to an annual percentage rate of approximately 18%.

Interest earned for the years ended January 31, 1974 and 1973 includes $777,339 and $267,281, respectively, on investments in debentures of unconsolidated subsidiaries. For the years ended January 31, 1974 and 1973, interest expense on long-term debt amounted to $11,300,900 and $6,070,375, respectively.

NOTE I—SHORT-TERM BORROWING

Maturities on short-term commercial notes range from 1 to 270 days from the date of issuance.

The average interest rate on short-term commercial notes outstanding at January 31, 1974 and 1973, was approximately 9.6% and 5.7%, respectively. The average interest rate on bank loans at January 31, 1973 was approximately 6.0% and in connection with such bank loans, the Company agreed to maintain compensating balances which amounted to $705,000 at such date.

The following relates to aggregate short-term borrowings for the years ended:

	January 31, 1974	1973
Maximum amount outstanding at any month end	$518,871,000	$407,661,000
Average daily amount outstanding	465,204,000	314,101,000
Weighted average daily interest rate	8.55%	4.76%

The Company's line of credit arrangements for short-term borrowings with banks amounted to $493,182,500 and $509,532,500 at January 31, 1974 and 1973, respectively, upon such terms as the Company and the banks may mutually agree. The arrangements do not have termination dates but are reviewed annually for renewal. At January 31, 1974 and 1973, the unused portion of such credit lines were $493,182,500 and $499,532,500, respectively, providing coverage for commercial paper outstanding. The Company maintained cash balances at such banks amounting to $597,000 and $369,000 at January 31, 1974 and 1973, respectively. Subsequent to January 31, 1974 the Company has felt it prudent to reduce its borrowing in the commercial paper field and place a greater reliance on its banks for short-term loans.

Compensating balances are not restricted as to withdrawal, serve as compensation to the banks for their account handling function and other services, and additionally serve as part of the Company's minimum operating cash balances.

ACCOUNTANTS' REPORT

Board of Directors and Stockholders
W. T. Grant Company
New York, N.Y.

We have examined the consolidated financial statements of the W.T. Grant Company and consolidated subsidiaries for the years ended January 31, 1974 and 1973. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The amounts included in the financial statements for the years ended January 31, 1974 and 1973 for Zeller's Limited (see Note B) are based solely on the report of other independent accountants who have examined the financial statements of such company.

In our opinion, based on our examination and the report of other independent accountants for the year ended January 31, 1974 of Zeller's Limited referred to above, the accompanying consolidated statements of financial position, operations, capital and changes in financial position present fairly the consolidated financial position of the W. T. Grant Company and consolidated subsidiaries at January 31, 1974 and 1973, and the consolidated results of their operations, changes in capital and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

New York, N.Y.
March 18, 1974

comparative statement of operations

(amounts in 000's) (years ended January 31 of subsequent years)

	1973	1972*	1971*	1970*	1969*
Sales	$1,849,802	$1,644,747	$1,374,812	$1,254,131	$1,210,918
Income from concessions	3,971	3,753	3,439	4,985	3,748
	1,853,773	1,648,500	1,378,251	1,259,116	1,214,666
Cost of merchandise sold and operating expenses	1,801,224	1,567,472	1,302,740	1,170,436	1,121,149
Interest expense	51,047	21,127	16,452	18,874	14,919
	1,852,271	1,588,599	1,319,192	1,189,310	1,136,068
	1,502	59,901	59,059	69,806	78,598
Interest and other income	3,062	1,188	1,533	1,476	1,615
Earnings before income taxes	4,564	61,089	60,592	71,282	80,213
Provision for income taxes	786	28,417	29,331	35,880	41,736
Earnings before unconsolidated subsidiaries	3,778	32,672	31,261	35,402	38,477
Equity in net earnings of unconsolidated subsidiaries	4,651	5,115	3,951	4,175	3,332
NET EARNINGS	$ 8,429	$ 37,787	$ 35,212	$ 39,577	$ 41,809
NET EARNINGS PER COMMON SHARE	$ .59	$2.70	$2.51	$2.87	$2.99

comparative statement of financial position

(amounts in 000's) (at January 31 of subsequent years)

	1973	1972*	1971*	1970*	1969*
ASSETS:					
Cash and securities	$ 45,951	$ 30,943	$ 49,851	$ 34,009	$ 32,977
Net accounts receivable	598,799	542,751	477,324	419,731	368,267
Merchandise inventories	450,637	399,533	298,676	260,492	222,128
Prepaid expenses	7,299	6,649	5,378	4,950	5,037
TOTAL CURRENT ASSETS	1,102,686	979,876	831,229	719,182	628,409
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES	44,251	34,981	29,538	21,204	17,992
PROPERTIES, FIXTURES AND IMPROVEMENTS	100,984	91,420	77,173	61,832	55,311
OTHER ASSETS	5,062	4,421	6,730	5,410	5,083
TOTAL ASSETS	$1,252,983	$1,110,698	$944,670	$807,628	$706,795
LIABILITIES:					
Short-term commercial notes and bank loans	$ 453,097	$ 390,034	$237,741	$246,420	$182,132
Accounts payable and accrued expenses	103,910	104,416	115,513	104,524	94,584
Federal income taxes payable	—	8,480	9,477	13,567	9,560
Deferred credits (taxes)	133,057	130,137	112,846	94,489	80,443
TOTAL CURRENT LIABILITIES	690,064	633,067	475,577	459,000	366,719
LONG-TERM DEBT	220,336	126,672	128,432	32,301	35,402
DEFERRED FEDERAL INCOME TAXES	14,649	11,926	9,664	8,518	8,287
OTHER LIABILITIES	4,195	4,694	5,252	5,773	5,699
CAPITAL:					
Cumulative Preferred Stock	7,465	8,600	9,053	9,600	11,450
Common Stock	67,813	64,586	72,184	62,001	67,559
Earnings retained for use in the business	248,461	261,153	244,508	230,435	211,679
TOTAL LIABILITIES AND CAPITAL	$1,252,983	$1,110,698	$944,670	$807,628	$706,795

other items

	1973	1972*	1971*	1970*	1969*
Number of stores	1,189	1,208	1,168	1,116	1,095
Pre-tax earnings per sales dollar	.2¢	3.7¢	4.4¢	5.7¢	6.6¢
Dividends per common share	$1.50	$1.50	$1.50	$1.50	$1.40
Working Funds**—in 000's	$545, 679	$476,946	$468,498	$354,671	$342,133
Working Funds Ratio***	2.0	1.9	2.3	2.0	2.2
Net Worth—in 000's	$323,738	$334,339	$325,745	$302,036	$290,688
% earned on net worth	2.6	11.3	10.8	13.1	14.4

*Reclassified to conform to current year presentation.
**Working Funds consist of current assets less current liabilities, excluding deferred credits for taxes related to installment sales.
***Working Funds Ratio is the ratio between current assets and current liabilities excluding deferred credits.

W. T. Grant Company

EXECUTIVE AND BUYING OFFICES 1515 BROADWAY, TIMES SQUARE, NEW YORK, N.Y. 10036

DIRECTORS

RICHARD W. MAYER	*Chairman of the Board and Chief Executive Officer*
HARRY E. PIERSON	*President and Chief Operating Officer*
EDWARD STALEY	*Chairman of the Executive Committee*
A. RICHARD BUTLER	*Executive Vice President—Merchandising*
JOSEPH W. CHINN, JR.	*Director and Chairman, Consulting Committee, Wilmington Trust Company*
RAYMOND H. FOGLER	*Retired, former President of W. T. Grant Company*
JOHN D. GRAY	*Chairman of the Board and Chief Executive Officer, Hart, Schaffner & Marx*
JOSEPH HINSEY	*Partner, White & Case*
JAMES G. KENDRICK	*President and Chief Executive Officer of Zeller's Limited*
E. ROBERT KINNEY	*President and Chief Operating Officer of General Mills, Inc.*
JOHN J. LA PLANTE	*Personnel Vice President*
ROBERT A. LUCKETT	*Corporate Services Vice President and Comptroller*
LOUIS C. LUSTENBERGER	*Retired, former President of W. T. Grant Company*
DE WITT PETERKIN, JR.	*Vice Chairman of the Board, Morgan Guaranty Trust Company of New York*
CHARLES F. PHILLIPS	*President Emeritus, Bates College*
CLARENCE W. SPANGLE	*Executive Vice President of Honeywell, Inc.*
ASA T. SPAULDING	*Consultant to Boyden International Group, Inc., of Los Angeles*

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Chairman of the Board

HARRY E. PIERSON
President

EDWARD STALEY
Chairman of the Executive Committee

A. RICHARD BUTLER
Executive Vice President—Merchandising

JOHN J. LA PLANTE
Personnel Vice President

ROBERT A. LUCKETT
Corporate Services Vice President and Comptroller

JAMES R. ROBBINS
Store Management Vice President

W. VAUGHAN ALEXANDER
Food Service Vice President

ROBERT A. BROWN
Labor Relations Vice President

ROBERT R. CHAPLIN
Home Furnishings Group Vice President

JOHN A. CHRISTENSEN
Real Estate Vice President

JOHN F. CROWLEY
Pittsburgh Region Vice President

JOHN P. DANE
New England Region Vice President

WILLIAM B. EDWARDS
Smallwares Merchandise Group Vice President

ROBERT L. FRADY
Southern Region Vice President

HERBERT KAUFMAN
Softwares Merchandise Group Vice President

MICHAEL KOPENITS
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Credit Vice President

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Distribution Vice President

P. THOMAS PICARRO
Eastern Region Vice President

CHARLES J. SEITZ
Import Vice President

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Central Region Vice President

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Fashion Merchandise Group Vice President

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Vice President and Treasurer

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Data Processing Vice President

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Assistant Secretary

JAMES C. DUNNE
Assistant Secretary

EVA M. FABREGAS
Assistant Comptroller

ALLAN E. LOMEN
Assistant Comptroller

RICHARD M. SCARLATA
Assistant Comptroller

Transfer Agent MORGAN GUARANTY TRUST COMPANY, NEW YORK, N.Y. *Registrar* BANKERS TRUST COMPANY, NEW YORK, N.Y.

W.T. Grant Company Annual Report 1973